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PAGE 5-2

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Probers think North 'loaned' money

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Congressional investigators believe the money former White House aide Lt. Col. Oliver North allegedly diverted from the Iranian arms sale to Nicaragua's anti-Marxist rebels was intended as a loan.

But investigators say private middlemen in the intricate arms deal apparently pocketed "substantial amounts" and up to \$20 million now can't be located.

The cash went through a series of bank transactions in Panama, the Cayman Islands and the Bahamas. "Dozens of people" handled the money, said one official, and "a lot of it looks like it went into the pockets of the middlemen."

Congressional probers believe Col. North intended to borrow the money to bridge a gap before Congress approved \$100 million in new military and humanitarian aid for the Nicaraguan rebels. Although both the House and Senate approved President Reagan's Contra aid package in June, House Speaker Thomas P. O'Neill — an opponent of military aid to the rebels — held up final passage of the package until October.

Col. North and others involved in

the deal hadn't expected a five-month delay before the money would be repaid and also didn't anticipate the secret cover on the Iranian arms deal would be blown by publicity in early November, sources said. There then wasn't any time to repay the money.

Senate Intelligence Committee Chairman David Durenberger of Minnesota said the mystery of what happened to the money and how much of it the Contras received is being turned over to Sen. Daniel Inouye, Hawaii Democrat and chairman of the Watergate-style committee the Senate will create Jan. 6.

Both Mr. Durenberger and Sen. Patrick Leahy, Vermont Democrat and vice chairman of the intelligence panel, have said there's no evidence that Col. North received di-

rect approval from the president to divert the money from the secret Iranian arms sale to the Contras.

But others familiar with the congressional probes note Mr. Reagan always made it clear to White House aides where he stood on providing additional military assistance to the Contras.

"You have to start with the proposition that the president wanted aid

to the Contras badly," said Sen. William Cohen, Maine Republican. "Here's a president who said 'I'm a Contra,' and spoke about how Congress had to provide assistance to the Contras."

Mr. Durenberger said there's evidence proceeds from the Iranian arms sale left the bank accounts in Switzerland headed for the Contras, and there's evidence at the other end that Contra arms shipments picked up in May and June.

But what happened in between, Mr. Durenberger said, isn't clear.

"We're not satisfied where the money went," said Mr. Cohen.

The picture emerging from congressional investigations is Col. North, a Marine lieutenant colonel working on the National Security Council, realized in late 1985 that private funding for the Contras wasn't sufficient and huge amounts of money could be generated for the Contras from secret arms sales to the Iranians then under way.

Reports Col. North was working with these private fund-raising groups to raise money were vigorously denied by the White House at the time. Robert McFarlane, then Mr. Reagan's national security ad-

viser, told a closed-door meeting of the House Intelligence Committee in September 1985 that a "thorough investigation" found Col. North wasn't soliciting or transmitting funds to the Contras, congressional sources said.

That testimony conflicts with what congressional investigators say they now know about Col. North's White House activities.

[Mr. McFarlane's attorney said this week that Col. North had withheld information from Mr. McFarlane in 1985 about private fund-raising activities on behalf of the Contras.]

Mr. Durenberger said evidence indicates Col. North was "deliberately" put in the NSC post to oversee the network of former CIA and Pentagon operatives working under retired Air Force Maj. Gen. Richard Secord to provide aid to the Contras.

Capitol Hill sources said up to \$20 million from last May's U.S. arms sales to Iran isn't accounted for. The evidence indicates Col. North used the money from the Swiss bank accounts as a loan to the Contras, sources said. One official said new aircraft and AK-47 guns arrived in Contra supply camps last June.